**1021.1022**

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**Audit**

**Quiz 1 questions only**

1. What is the connection between external audit and board of directors?
2. What are key responsibilities of external auditors?
3. Describe responsibilities of auditors under ISA 250 *Consideration of laws and regulations in an audit of financial statement*s
4. Describe elements auditors would consider for audit and review engagements
5. What are the steps to take prior to accepting audit engagements?
6. Identify and explain ethical risks for audit engagements
7. Explain steps auditors can adopt to reduce ethical risks
8. Explain the external auditors’ responsibilities in relation to the prevention and detection of fraud and error
9. Explain ethical threats which may affect the independence of auditors
10. Explain the benefits of an audit committee
11. Explain Advocacy, Intimidation, Self-Interest threats to independence
12. Explain main safeguards for independence.
13. If independence issues noted, who should be communicated and how?
14. Explain main objectives of audit committee.
15. What are safeguards to manage conflict of interest.
16. What level of assurance levels to expect from audit and review engagements?
17. What are key responsibilities of board of directors?
18. What are key responsibilities of management team?
19. What are key responsibilities of internal auditors?
20. What is the purpose of internal audit function?
21. Explain corporate governance principles issued by OECD.
22. What is a non-statutory audit vs. a statutory audit?
23. What is the final product of an audit service and its explicit opinion?
24. What is confidentiality and what are the requirements in respect to confidential information?
25. What is a financial interest threat to independence?

**Audit Quiz 2 questions only**

1. **Discuss Audit Risk, Inherent Risk, Control Risk and Detection Risk**
2. **For each component of audit risk (IR, CR, DR), state an example of a factor which can result in increased audit risk**
3. **Discuss Combined Risk Assessment and how it affects substantive audit procedures**
4. **Describe three categories of IT General Controls (ITGCs) and their importance**
5. **Explain what is fraud and three conditions to assess fraud risk**
6. **Explain two types of fraud and controls to reduce the risk of fraud**
7. **Discuss auditors’ responsibilities in relation to the prevention and detection of fraud and error**
8. **Discuss materiality and how it is calculated. What benchmarks are used in materiality calculation**
9. **Discuss key considerations auditors should include in their audit strategy**
10. **Discuss procedures to obtain an understanding of the company and its environment in accordance with *ISA 315 Identifying and assessing the risks of material misstatement through understanding the entity and its environment?***
11. **Discuss the objectives and benefits of planning an audit according to ISA 300 *Planning an Audit of Financial Statements***
12. **Describe audit risks (key or relevant assertions) for Balance Sheet accounts**
13. **Describe audit risks (key or relevant assertions) for Income Statement accounts**
14. **Explain main audit procedures to cover each type of assertions**
15. **Discuss what is internal control deficiency, significant deficiency and material weakness**
16. **Explain sales system (process), accounts affected by this system and internal controls in this system**
17. **Explain purchases system (process), accounts affected by this system and internal controls in this system**
18. **Explain inventory system (process), accounts affected by this system and internal controls in this system**
19. **Explain the audit procedures you should perform in order to place reliance on the continuous (perpetual) counts for year-end inventory**
20. **Discuss appropriate test of controls and their objectives, to test internal controls in various systems (Sales, Purchases, Inventory, cash, etc.)**
21. **Explain what is test of control and its purpose**
22. **Explain what are substantive procedures and their purpose**
23. **Explain what is segregation of duties and how it reduces risk of material misstatement**
24. **Explain what is walkthrough procedure and its purpose**
25. **Discuss steps to be taken by auditors when controls are not operating effectively**

**Audit: Final questions (last 25)**

1. What types of audit opinions are available? Discuss each type.
2. Explain basic elements of auditor’s report.
3. What is a representation letter? Discuss at least 5 important elements to be included in a representation letter.
4. Discuss what is a bank confirmation, types of confirmation, content of the letter and the way it is performed
5. Explain three phases of cash counting process
6. Explain how to test completeness of Accounts Receivable
7. Discuss positive vs negative confirmations, their advantages and disadvantages
8. Discuss how to test valuation of Accounts Receivable
9. Explain exceptions and non-response to receivable confirmations, reasons for exceptions and auditor’s procedures as a result
10. Explain how to test valuation assertion of inventory
11. Discuss physical inventory counting process
12. When Net Realizable Value could be less than the cost of inventory? What are auditors’ responsibilities in respect to NRV?
13. What audit procedures are performed when events or conditions are identified that may cast significant doubt on the entity’s ability to continue as a going concern?
14. What type of internal controls can be used for long term tangible assets? Provide two examples.
15. Discuss audit procedures to test valuation assertion of long term tangible assets.
16. How auditors test existence and valuation assertions of goodwill?
17. Explain how to test rights and obligations assertion of fixed assets.
18. Discuss audit procedures to test reasonableness of reports provided by external experts on valuation of long term assets
19. What are analytical procedures? Provide two examples and explain the purpose of this testing.
20. What are key items? How are key items determined?
21. What is a general approach (model) when performing substantive procedures? Discuss steps in sequence.
22. What is an overstatement vs understatement risk? Which accounts are subject to these risks and why?
23. Discuss accounting estimates providing examples. Explain auditors’ procedures to test accounting estimates.
24. What is audit sampling, population, sample unit and stratification? Explain sampling risks and statistical vs. non-statistical sampling.
25. Discuss methods of sample selection. Explain auditors’ responsibilities when an exception is identified during sample testing.